

SB 2272

Testimony

NEIL ABERCROMBIE
Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-189

TESTIMONY OF JAMES NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE SENATE COMMITTEE ON AGRICULTURE

Tuesday, February 7, 2012
2:50 pm
Conference Room 229

SENATE BILL NO. 2272
MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A
VAPOR HEAT TREATMENT FACILITY

Chairperson Nishihara and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 2272. The purpose of this bill is to appropriate \$1,500,000, or so much thereof, from the general revenues of the State, for the Agribusiness Development Corporation (ADC) to construct a vapor heat treatment facility on the island of Hawaii. ADC strongly supports this bill.

There is much at stake for the papaya industry in Hawaii at this time. With the December 1, 2011 approval of the Rainbow Papaya for commercial sale in Japan, the immediate elimination of the 30 percent duty for papayas included in the terms of the US-Korea Free Trade Agreement, and the current mission by the State to determine a path for deregulation into China, it is prudent to prepare for the potential for a steep growth in demand for papayas from Hawaii. The papaya industry is excited and hopeful that Hawaii papayas can once again dominate the export market in Japan. This bill will provide the facility the farmers need to complete the export process from Hawaii.

Vapor treatment is an acceptable form of post-harvest treatment for other fruits to be approved for export to international destinations and will support the Hawaii fruit farmers and prepare for the growth in demand for those tropical fruits as well.

ADC is a strong advocate for the sustainability of agriculture in Hawaii and supports this bill. Thank you for the opportunity to comment on this bill.



Re: SB2272

MEASURE TITLE: MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A VAPOR HEAT TREATMENT FACILITY

REPORT TITLE: Appropriation; Agribusiness Development Corporation; Department of Agriculture

Committee(s): AGL Public Hearing

Date & Time: 02-07-12 2:50PM

Conference Rm: Room 229.

Introduced by: SENATORS DELA CRUZ, KAHELE, SOLOMON

SUPPORT

Diversified Ag Products Inc. is in support of SB #2272 for the purpose of the Construction of a New Vapor Heat Treatment Facility in Hilo. There is a present need for A new state of the art facility that meets all Primus Packing House Food Safety Certification and HAACP Certification. These certifications are required by Mainland Retailers, Food Service Restaurant Chains, Hotel Chains, Military Food Commissaries, Schools, Universities and Mainland Fruit and Veg Wholesalers. With a vapor heat Treatment plant of this size and stature, new mainland and foreign markets could be Opened to the Rainbow Papaya taking Hawaii's Papaya volumes from this plant alone to Over 20 million pounds annually. In addition to this, the present labor that This would generate in a economy that needs new business should be well over 30 Workers. Diversified Ag Products Inc. was the first company to send GMO Rainbow Papayas to Costco Japan on December 5th soon after the final approval on December 1st of 2011. By being the first, we have learned that there is a big market out there That needs to be filled. Prior to doing so, there must be a good infrastructure that Will insure that three things will be established. Product Integrity, Product Quality and Product Consistency is needed to not only get markets but in keeping them. **Product**

Integrity is a guarantee that your product meets all Food Safety and HAACP Certifications. **Product Quality** is established with upgraded grading standards Guaranteeing brix, color and product shelf life on arrival as a result of better post harvest handling procedures utilizing better refrigeration and holding facilities. **Product Consistency** is the result of Product Integrity and Product Quality. This Combination will result in bigger numbers for Diversified Agriculture in Hawaii. Rainbow Papayas have the largest potential of any other fruit crop in Hawaii in terms of overall Volume. Without a new Food Safety/HAACP certified packing plant, Hawaii's Rainbow Papayas will not be able to reach their full potential in terms of sales and marketing Both Nationally and Internationally. Times have changed since Hawaii used to sell 15 to 16 million dollars of Papayas in 1995 in Japan. Now Hawaii sells less than 1 Million dollars of papayas to Japan. This is to a population of over 127 million people. The sales potential is very big. If it were not big, Costco Japan would not be opening 4+ stores a year in Japan. Their overall goal is to have 50 stores in Japan by 2021. The mainland US markets are larger than Japan's markets but product integrity will be A larger issue beginning in 2012. In summary, I support SB 2272 because it will be a Major factor in bringing back the ailing papaya industry.

As in the movie "Field of Dreams" coined the phrase, "If you build it they will come!!"

Respectfully submitted by: Rickie G. Deniz, President Diversified Ag Products Inc.

nishihara1 - Danille

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 04, 2012 7:20 AM
To: AGL Testimony
Cc: ericw@calavo.com
Subject: Testimony for SB2272 on 2/7/2012 2:50:00 PM

Testimony for AGL 2/7/2012 2:50:00 PM SB2272

Conference room: 229
Testifier position: Oppose
Testifier will be present: No
Submitted by: Eric Weinert
Organization: Individual
E-mail: ericw@calavo.com
Submitted on: 2/4/2012

Comments:
Relating to SB2272

Oppose

Senators,

This bill is a waste of tax payer money and should be rejected.

Hilo has an excess of treatment capacity for papaya. There are currently 4 treatment facilities. I am the General Manager of the Calavo Growers, Inc papaya treatment facility in Keaau, the largest Hawaiian exporter of papaya to the Mainland US. We have over 80 employees who pack and treat papaya. We contract with 50 growers to supply papaya.

Lack of treatment capacity or the cost of treatment is not the problem with the papaya industry. We are always looking for new growers to supply more papaya. We offer treatment services to those that wish to grow and market their own papaya at \$.16 per pound.

Building additional capacity to treat papaya with State subsidized taxpayer money will only drive down the price of papaya. This hurts growers who are already struggling to make ends meet growing papaya. Additionally, it will force the existing treatment facilities to reduce prices to stay in business, resulting in cost cutting measures that may mean layoffs and reductions in wages. Calavo Growers employes packers under contract with ILWU union. No new jobs will be created by this bill. No additional papaya will be exported.

Please have the common sense to keep the State from interfering and disrupting private business. Reject this bill.

Eric Weinert
General Manager, Calavo Growers, Inc. Hawaii Operations

Dear legislators,

Hawaiian Rainbow Produce is strongly opposed to Senate Bill 2272. We were shocked to hear from another vapor heat treatment packing plant that \$1.5 million of taxpayer money is going to be used to build a vapor heat treatment facility in Hilo. There are four packing plants operating at approximately one third capacities as of now. If any independent grower wants to export fruit to destinations other than Canada or Honolulu these growers should approach a packing plant to do so. Not one grower has ever called us to treat their papaya. The last thing Hawaii government should spend money on is a vapor heat treatment facility. Three packing plants on the Big Island and one on Kauai have gone out of business because independent growers agreed to support them with papaya and then failed to follow through. Furthermore, papaya farmers that currently ship to Canada and Honolulu markets enjoy profit margins that are twice that of US mainland profit margins. I know this because my company ships into all three markets at this time.

One of our biggest challenges facing the Hawaii papaya industry today is competition from Brazil, Mexico, Belize, Costa Rica, and Ecuador. Currently 75,000 boxes of Brazilian and Mexican papaya are imported into the US mainland every week compared to 30,000 boxes per week from Hawaii. Offshore papaya imported into the US mainland is of equal or higher quality, sells at a cheaper price and the freight is subsidized by their governments. The Big Island does not need more treatment capacity. We need more markets. Another facility would not bring more revenue to individual farmers; it would do just the opposite. It will lower revenue to the farmers by sending more fruit into a saturated market, driving down prices and force another packing plant out of business. The current packing plants used their own money to build their individual facilities, not government money. By using government money to build a treatment facility in a private market would further damage these companies that are currently struggling.

Other challenges the papaya industry faces are high costs of freight, labor, land and papaya crop inputs like fertilizer, fuel and crop sprays. \$1.5 million dollars could go a long way to help offset the air transportation cost to the mainland. A better use of such money would be to give that money to a current packing plant to install equipment to create value added products. These could be products like dietary fiber, ready-to-eat papaya cubes for senior diets at hospitals and elderly care centers. Dehydrated papaya, pineapple, banana, and macadamia nuts could be blended into a Hawaiian trail mix and advertised as made here in Hawaii.

An even bigger use of the waste papaya, estimated to be 200,000 pounds per week on the Big Island, would be the creation of bio fuel. Dr. Dennis Gonsalves of USDA PBARC, whose federal funds have been cut, could use some of this \$1.5 million dollars to move his very promising lab scale production of algae-bio fuel to a pilot scale size system. The algae feed on the papaya waste from all farmers and packing plants and multiplies after which it is harvested and turned into bio fuel for use right here on the Big Island. Packing plants could use the rest of the \$1.5 million dollars to build a commercial size unit that will actually create jobs. Farmers would see an immediate boost in their revenue just from their waste fruit.

In conclusion, it is hard for me to understand how a bill can get introduced into the senate without one person from government coming to the Big Island and sitting down with growers, processors and other papaya industry personnel. A meeting would bring out all concerns by all parties for the good of the entire papaya industry. This meeting may help me solve the puzzle as to why the state of Hawaii would use \$1.5 million dollars of taxpayer money in these tough economic times to build a vapor heat treatment facility for growers who already have markets that yield twice the profit margin. This is the exact reason they don't go to current packing houses now.

Lastly, all members of Hawaii Papaya Industry Association and all packing houses will be focused on Senate Bill 2272, including the media.

Please contact me to further discuss economic and logistical data in the papaya export/local markets. My email is houlep1234@gmail.com and my cell# is (808)-895-2149.

Respectfully submitted,

Peter Houle



Diamond Head Papaya Co., Ltd.

16-309-A Old Volcano Road • Keaau, Hawaii 96749
Telephone: (808) 966-7406 • Fax: (808) 966-6464

TESTIMONY BEFORE THE STATE COMMITTEE
ON AGRICULTURE
RELATING TO MAKING AN APPROPRIATION FOR THE CONSTRUCTION OF A VAPOR HEAT
TREATMENT FACILITY
BILL 2272
PRESENTED TO THE SENATE

TWENTY-SIXTH LEGISLATURE 2012
STATE OF HAWAII

Chair, Clarence K. Nishihara
Vice Chair, Gilbert Kahele
Committee Members:

TESTIMONY OF DIAMONDHEAD PAPAYA IN OPPOSITION TO S.B. 2272

My name is Keisuke Horiike and I am the President of Diamond Head Papaya ("DHP"). DHP has been operating a papaya packing plant since 1974 on the island of Hawaii. The DHP plant and three other plants on the island of Hawaii are vapor heat treatment facilities, all built and operated at private cost.

DHP is opposed to SB 2272, which appropriates \$1.5 Million for the construction of a vapor heat treatment facility on the island of Hawaii.

DHP is opposed to SB 2272 for the following reasons:

1. It is unfair to spend \$1.5 Million of taxpayer money for a vapor heat treatment facility to benefit one or a few distributors when four private companies have spent and spend their own money for vapor heat treatment. This gives the one or more new distributors a competitive advantage and a subsidy from the taxpayers.
2. A similar government funded vapor heat treatment facility erected on Kauai after Hurricane Iniki failed.
3. An appropriation of public money, be it the \$1.5 Million or a lesser amount, is better used to the benefit of the papaya industry as a whole.
 - a. The money can be used to strengthen the papaya inspection program;
 - b. The money can be used to educated consumers about the Rainbow variety; and/or

- c. The money can be used to improve the Rainbow variety.

Strengthen the Inspection Program: Because of funding cutbacks, the Department of Agriculture has had to reduce its papaya inspection program by one-half. The inspection program is critical in determining which plants and fields are infected by the ring spot virus, so that they can be destroyed to prevent the further spread to other plants and fields. Monies are better spent in strengthening the inspection program.

Educate Consumers about the Rainbow variety: Dr. Gonsalves and his colleagues at the University of Hawaii have developed the genetically modified Rainbow variety of papaya. Genetically modified or GMO products, as they are called, often receive negative consumer reaction. Japan, for example, requires that all Rainbow papaya imported bear a GMO label. Japanese consumers largely do not accept GMO Rainbow papaya.

While the mainland markets do not require GMO labels, many mainland wholesalers and retailers are reluctant to handle GMO products. Safeway, for example, does not accept Rainbow papayas for their mainland markets. Frankly, because no GMO labels are required for the mainland, many of the consumers there are not aware that the Rainbow variety is genetically modified or even that there are different varieties of papayas. Hawaii's share of the mainland market has dropped from 80% in 1995 to 15% today. In order to regain market share, we need to educate mainland (and perhaps, even Japanese) wholesalers, retailers and consumers that the Rainbow papaya is very safe. Such educational and marketing programs cost money and that's where taxpayer money is better spend.

Improve the Rainbow variety: The present Rainbow product benefits the grower because of its viral resistant characteristic. However, it would help sell the variety if consumer benefits were also developed. Examples of this would be tripling the Vitamin C or doubling the Beta Carotid, and marketing the product as Hawaii's health solution. In conclusion, in these times, one must think carefully about spending taxpayer dollars. Public funds should be spent for public, not private, benefit. The money that you are being asked to spend for private benefit can be used instead to benefit the papaya industry and general public good instead.